

Monthly Process of Collecting and Paying Use Tax

Per the Arizona Department of Revenue (ADOR), businesses (or individuals) making out-of-state purchases for their own use – not for resale – on which no tax is paid, are required to pay use tax.¹ There are several means within AFIS to make this payment to the Department of Revenue.

Processes of Creating a Use Tax Liability and Paying Use Tax

- Create a use tax liability in AFIS through ProcureAZ
- Transfer out use tax liability to the Department of Revenue
- Transfer payment of use tax when no liability was created
- Correct errors in the use tax liability

Create a Use Tax Liability in AFIS through ProcureAZ

Background: To pay use tax, first an agency must determine how much use tax is due. This can be accomplished in several ways. One available method is to create a liability when processing a payment in ProcureAZ if no sales tax is collected by the vendor and use tax is due. If an agency wishes to create a liability for use tax using ProcureAZ, follow the instructions on the SPO ProcureAZ Hot Sheet titled AZ State (Use) Tax and the Special Vendor Tax (SVT).² Capturing the liability in ProcureAZ is an option, not a requirement, however it is a useful tool.

Creating Use Tax Liability in ProcureAZ

- A. The objective of creating a use tax liability is to capture the correct amount of use tax due to the Department of Revenue to facilitate remittance.
 1. In ProcureAZ, the requisitioner should select AZ State (Use) Tax or the Accounts Payable Processer should add AZ State (Use) Tax when processing the invoice.
 2. After the invoice is approved for payment, the vendor will be paid for the amount of the invoice and a liability will be created in AFIS for the use tax due.

¹ <https://www.azdor.gov/Portals/0/Brochure/610.pdf> - Arizona Department of Revenue Use Tax – Publication 610.

² https://spo.az.gov/sites/default/files/20150810_AZ_State_Use_Tax_and_Special_Vendor_Tax.pdf

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Tips –

- Using the AZ State (Use) Tax option for sales tax results in a liability being recorded in AFIS under BSA 1616 – Use Tax Liability, and the amount is not submitted to the vendor being paid or to the ADOR.
- The expenditure recorded in AFIS will reflect the entire amount processed for payment including use tax.
- The liability can be verified by reviewing the purchase order (POPZ1) document in AFIS and looking under the Commodity tab.

Reduce Use Tax Liability and Remit Use Tax Payment to ADOR

Background: To pay your monthly use tax obligation, you will need to review the BSA Account 1616 and the payments your agency has made since the last submission period to determine the correct amount to remit to the Department of Revenue.

Review BSA 1616

- B. The objective of reviewing BSA 1616 and your payments is to ensure that the liability is liquidated and that the proper amount is submitted to the ADOR for your agency's use tax.
1. Run the AFIS report FIN-AZ-GL-N188 (Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund) by BSA "1616". This report displays a summary of balances and changes to the general ledger. Make sure you enter the optional prompt for Balance Sheet Account (BSA) 1616 to narrow your selection and shorten the amount of report run-time. This report will provide the balance at the beginning and end of the month of your BSA 1616 by fund and sub-fund.
 2. Run the AFIS report FIN-AZ-GL-N389 (Balance Sheet Detailed Transaction) by BSA "1616". This report displays the monthly activity details by document which is reported on the FIN-AZ-GL-N188 report. This report is available only for a single month of activity and is not accumulative.
 3. Review the transactions which make up the liability balance in BSA 1616. Determine if the tax liability is accurate. If it is, make a payment to the ADOR through the IETUT process. If incorrect, make the necessary correction.

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Tips –

- If all your payments had been made and no additional liabilities were incurred, then your BSA 1616 should have a zero balance.
- PRCPZ1 documents creating a liability will appear on the FIN-AZ-GL-N389 as negative amounts and transfers to ADOR will appear as positive amounts.
- The liabilities can occur in one month and the liquidation can occur in the following month.

Process IETUT

C. An IETUT (Internal Exchange Transaction) document is a two-part document that can be used for Inter- or Intra-Agency payments. This process serves to transfer out the use tax liability (in BSA 1616) created through ProcureAZ transactions. IETUT Procedure is as follows:

1. Log into AFIS
2. **Navigate** to the Document Catalog.
3. **Create** an IETUT document
 - a. In the **Code** field, enter **IETUT**
 - b. Click **Create**
 - c. In the **Dept.** field, enter **your department code**
 - d. Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
 - e. Click **Create**. A new document is generated.
4. Complete the **Header** component.
 - a. At a minimum, enter the following information:
 - Record Date
 - Initiator – **Must be set to Provider/Seller**
5. Complete the **Exchange Details** component
 - a. Click the Insert New Line
 - b. Enter the following information on the **General Information** tab:
 - Event Type
 - **INZ7 (Liability to Revenue Transfer)** is the only available Event Type for this document
 - Line Amount

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- Accounting Template
 - Enter **USETAX**

6. Complete the **2nd Party Accounting** component.

- At a minimum, enter the following information on the **General Information** tab:
 - Line Amount
- At a minimum, enter the following information on the **Fund Account** tab:
 - Department
 - Fund (if not inferred from function)
 - Unit (if not inferred from function)
 - Appr Unit (if not inferred from function)
 - BSA = 1616
- At a minimum, enter the following information on the **Detail Accounting** tab:
 - Function (if used)
 - Task (if not inferred from function)

7. **Validate** the IETUT document

- Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.

8. **Submit** the IETUT document.

Note: The document will be handled through workflow and will be pending the Department Approver.

Tips –

- Attach to the IETUT the appropriate documentation to support the transaction.

Transfer Payment of Use Tax when no Liability was Created

Background: If an invoice was processed in ProcureAZ and the use tax liability was overlooked at the time of processing and not recorded, or a payment was made with a GAX in AFIS (including P-card payments where sales tax is not collected) and therefore could not have a liability created, payment will need to be made to the ADOR by an IETAT.

Review documents (invoices) paid where use tax was not paid and a liability was not created

- The objective of reviewing paid invoices, including p-card transactions, without sales tax paid or use tax liability created is to evaluate if use tax is due and ensure ADOR is paid.

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Tips –

- Create a list of the liability due (suggested fields may be invoice #, amount of the invoice, and the amount of use tax due, and the funding elements needed to properly record the liability (i.e., function, fund, unit, appr unit, BY, etc.)) and total the amount of use tax due.

Process IETAT

E. An IETAT (Internal Exchange Transaction) document is a two-part document that can be used for Inter- or Intra-Agency payments. This process serves as a replacement for agencies that have accepted payment via the Automated Transfer process in the past. Make the payment by using the IETAT process:

1. Log into AFIS
2. **Navigate** to the Document Catalog.
3. **Create** an IETAT document
 - a. In the **Code** field, enter **IETAT**
 - b. Click **Create**
 - c. In the **Dept.** field, enter **your department code**
 - d. Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
 - e. Click **Create**. A new document is generated.
4. Complete the **Header** component.
 - c. At a minimum, enter the following information:
 - Record Date
 - Initiator – **Must be set to Provider/Seller**
5. Complete the **Exchange Details** component
 - d. Click the Insert New Line
 - e. Enter the following information on the **General Information** tab:
 - Event Type
 - **INZ3 (Expenditure to Revenue Transfer)** is the only available Event Type for this document
 - Line Amount
 - Accounting Template
 - Enter **USETAX**
6. Complete the **2nd Party Accounting** component.

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- a. At a minimum, enter the following information on the **General Information** tab:
 - Line Amount
 - b. At a minimum, enter the following information on the **Fund Account** tab:
 - Department
 - Fund (if not inferred from function)
 - Unit (if not inferred from function)
 - Appr Unit (if not inferred from function)
 - Object
 - c. At a minimum, enter the following information on the **Detail Accounting** tab:
 - Function (if used)
 - Task (if not inferred from function)
7. **Validate** the IETAT document
- a. Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.
8. **Submit** the IETAT document.
- Note:** The document will be handled through workflow and will be pending the Department Approver. The document will then be routed to GAO for review and approval.

Tips –

- Attach to the IETUT the appropriate documentation to support the transaction.

Correct Errors in the Use Tax Liability

Background: Occasionally, a liability is created for an incorrect amount. Usually this means that the expense is also incorrect. Paying the IETUT will liquidate the liability and remit the funds directly to the ADOR. To make changes to the amount remaining in the BSA 1616 which should not have been withheld, then use an IETBS to make the correction.

Review/Reconcile the Balance Sheet Account 1616

- F. The objective of reviewing/reconciling Balance Sheet Account 1616 is to ensure the liability has the correct balance.
1. After running the reports above and making the necessary payments through the transfer processes, if corrections are necessary, adjust the liability by processing an IETBS.

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2. Create an IETBS using an event type of INZ0 (Liability to Expense Transfer) to correct the liability and expense.

Tips –

- The IETBS process is the same as other IET transfers. The Processing Internal Transfers QRG can provide additional assistance if needed.³

Further Reference

Quick Reference Guides and Training (GAO Website)

For general training on transfers in General Accounting, see the Training Guide⁴ and Process an IETAT⁵ and Processing Internal Transfers⁶ QRGs.

InfoAdvantage Reports for Collecting and Paying Use Tax

The following reports are available statewide in InfoAdvantage for Collecting and Paying Use Tax.

Report ID	Name
FIN-AZ-GL-N188	Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund
FIN-AZ-GL-N389	Balance Sheet Detailed Transaction

³ <https://gao.az.gov/sites/default/files/Create%20ITI%20%20ITA%20IET%20IPO.pdf>

⁴ Training Guide: https://gao.az.gov/sites/default/files/AFISGL_AFIS_General_Accounting_PG_v5_2.pdf

⁵ <https://gao.az.gov/sites/default/files/Process%20an%20IETAT%20%28add%20ACR%29.pdf>

⁶ <https://gao.az.gov/sites/default/files/Create%20ITI%20%20ITA%20IET%20IPO.pdf>